SILVER IN COMMERCE.

IT is proposed to show that silver, as a depreciating standard of value, has no measurable influence in stimulating exports. Wherever there is an apparent connection between its use as money and enlarged trade, the increase is due to other purely economic agencies. As a depreciated metal, however, silver has important functions in international trade. While as a standard of value it is well-nigh useless because of its fluctuations in price, as a commodity it has a high utility. Its unlimited coinage at any except the commercial ratio to gold would, however, deprive it of this utility and make active its full power for social disturbance.

Prices, determined by the competition of the world, respond so readily to each change in every one of their many relations as almost to defy explanation and analysis. The delicately shaded quotations on the produce exchange embody as well the local gamble in prices as the intelligence received from other markets by telegraph. A partial "corner" in grain or a change in the tone of political rumors leads as readily to fluctuations in prices as the failure of a crop in British India or an excessive product in Argentina. As centers of information the exchanges collect fact and rumor, estimates and results, with little discrimination. As true exchanges they bring together buyer and seller, obliterate marked differences of prices and distribute the products of man's labor among the best markets. In the regulation of this great movement of produce the machinery of the exchanges is striking by reason of its general perfection and high utility; but in recording general movements in prices it gives much poorer results. In times of disturbance the extremes are recorded, but these extremes are due not to a few, but to a thousand influences. Responding to every phase of interested initiative, averages count for but little even when conditions are reasonably steady.

In the apparent simplicity of modern exchanges, therefore, is to be found the highest complexity.

This complexity offers a great obstacle to determining and measuring the true results of changes in prices due to any variation in the value of gold or of silver. For years there has been a controversy over the "appreciation" of gold without approaching a conclusion. Had this appreciation been real and as great as has usually been represented, the accession of one nation after another to the gold standard, resulting in fresh demands for the metal, ought to have sent the price up nearly to a panic limit. In ordinary dealings a deficiency of supply produces results far beyond what the mere numerical deficiency justifies. Hence, if there had been a true scarcity of gold, or an approach to one, a small demand, say for $75,000,000 or $100,000,000, should have produced a noticeable change in the market price or exchange value of the metal. For only when a better price was offered would the metal have been dragged from hoarded stores and withdrawn from general circulation to become a reserve in a government-banking operation. Yet nothing of this kind has occurred. Austria, Chili, Italy and Russia have come into the markets for gold, and the United States has been a large purchaser, without producing any change in the mint price of gold or causing any permanent changes in the position of that metal in any of the great money markets, except in that of the United States.

Silver, on the other hand, has fallen in twenty years to such a degree as to lead to its rejection among commercial nations as a standard of value. The narrowing of demand, associated as it has been with a greatly increased supply, has reduced the market price of an ounce fine from $1.15 in 1878 to about 68 cents in 1896. Taking the estimates of the actual stocks of gold and silver in the world as they are, — although admitting that they are faulty, — it is difficult to explain why the additions to the supply of silver from 1873 to 1896 should have produced such a marked variation in the market value, when gold showed so little change, if any, in the face of increased demand and steady supply. One of two

explanations must be accepted: either the "scramble for gold" was a myth or the use of silver had become so restricted as to deprive it of nearly half its usual market. In seeking to determine either of these points, the prices of commodities, for the reasons already stated, offer little assistance. Rejecting, then, for the present, an examination of prices of specific articles, I propose to point out the changes which have occurred in recent years in the commercial position of silver.

Little attention need be paid to the market price of silver, for no one denies that it has fallen. A comparison will bring out clearly the extent of this fall. In 1861, before the issues of paper money by the government of the United States had produced any change in prices, a gold dollar and a paper dollar were equal in value. They would purchase the same quantity of flour, or pay for the same amount of labor, or settle the same sum of debt. During the next year the paper began to depreciate, and the separation of paper and gold values became marked. In 1862 a gold dollar would exchange, on the average, for $1.13 in paper; in 1863, for $1.45; and in 1864, for $2.03. In July of 1864 the lowest point was touched: a paper dollar would purchase only 38.7 cents in gold while a gold dollar would exchange for $2.58 in paper. In that year, then, a paper dollar would on the average purchase less than half as much flour or labor as a gold dollar, but would still settle the same amount of debt or fixed charge, like an annuity, pension or interest, dating before 1861. This great depreciation in paper, save as a means of settling, or rather of scaling, debt, occurred within two and a half years; and naturally gave such a wrench to the industry and commerce of the country as to require years of denial and sober effort to restore a sound condition where labor could have its due, where the honest creditor had some refuge from his dishonest debtor and where the foreign commerce of the country once more became healthy in tone and important in amount.

Silver has fallen in market value almost precisely as far as the greenbacks or legal-tender notes fell in 1864. That the fall has been more gradual, extending over a period of twenty-

three years, in no wise affects the ultimate results on values if silver becomes the only standard of value. The slow pressure may have permitted future events to be discounted, and by discouraging extreme speculation may have broken the effect of the fall. None the less the full fall is a fact. The coin known as the standard dollar, containing 371.25 grains of fine silver, was worth $1.00 in gold in 1873, but only 49.1 cents in 1894 and 50.6 cents in 1895. For the first six months of 1896 it has risen to nearly 53 cents. Its average value in 1894 was thus within a mill of the average value of the legal-tender note in 1864. What the pressure of war and excessive issues of paper brought to the government paper in 1864 has been brought to the silver dollar without war or excessive issues of the coin. This enables one to form some idea of the enormous and irresistible power of the working of economic forces. It is as useless to suppose that the government could by legislation or otherwise lift silver to nearly double its present price as to suppose that in 1864 the legal-tender acts or gold acts or restrictions on speculation gave an artificial value to paper. Every act of government to force the circulation of the latter at other than the market rate imposed a tax on labor and defrauded the creditor of his just due ; and naturally the ingenuity of man was sharpened to counteract the injustice of the financial policy of the war. It is not reasonable to assume any other results should silver become the monetary standard, for, if coined at any except the commercial ratio to gold, it must raise prices, levy tribute upon all existing contracts and oppress labor.

That this condition does not already exist is due to the cessation of the purchases made under the acts of 1878 and 1890. The greenback was a strictly local currency, non-exportable, and handled by money-brokers outside of the country only in such small amounts as to have no appreciable effect upon its quantity at home. Irredeemable, it was final in all transactions, public or private ; and thus it had neither an outlet for an excessive issue nor a reflected value from a redemption in gold or silver. It remained at home, producing all the dire effects

to be expected from paper money issued beyond the needs of trade and strictly irredeemable. Its value was arbitrary and fluctuating; and not until 1879 was its potency for mischief largely curtailed. Only in part were its possibilities for disturbance then taken away; for its existence was prolonged on such terms as to make it an anxiety to the government by rendering necessary the continuance of a machinery of false redemption that no bank would ever dream of adopting, and no government knowing the true nature of banking would imitate in any feature.

Had it not been for the repeal of the purchasing clauses in the laws of 1878 and 1890, the country would now be upon a silver basis. From November, 1893, the date of the repeal, to the present month (August) there would have been added to the holdings of the treasury 148,500,000 ounces of silver, every ounce of which would have been paid for in gold. This would have swelled the treasury purchases of bullion since 1878 to 608,446,701 ounces, a load which would have turned the scale in favor of silver, for in the summer of 1893 the fact of silver saturation was forced upon the public attention. The purchases of each successive month would have riveted more firmly the ties of a silver standard. With a coin made from this bullion, worth only fifty or fifty-three cents, not exchangeable for gold and fluctuating in real value, the economic results may easily be foreseen. In only one respect is the silver coin better than the greenback: it is, under some conditions, exportable at its bullion value. So long, however, as its purchasing or debt-paying power (legal-tender quality) is greater in this country than abroad, it will remain here as closely as did the greenback. It is possible to conceive that, in seeking to discount its true value, the prices of domestic products may be pushed up so high as to make its purchasing power greater abroad than at home; but this would be so remarkable a circumstance and of so temporary a nature as to merit little notice as a serious condition. In fact, the silver dollar, coined at any ratio to gold less than the market or commercial ratio, must be as non-exportable as the greenback.

With silver as a standard of value, what would be the results on the foreign trade of the United States? It is hardly necessary to urge the importance of this trade as an outlet for the products of our agriculture and manufactures, as a source for all that the country does not or cannot produce and as a means of paying for foreign loans — the basis of credit in foreign markets. To cherish and stimulate this trade by every means legitimate in a free government is of vast consequence. It is gravely urged, however, that a silver standard will serve as a bounty on exports — as if commerce deserved encouragement only in one direction. The commercial returns of such silver-using countries as are available are cited as proof of this proposition; and it is seriously proposed to introduce a debased medium, local and non-exportable, depending for its value upon the fiat of law, and standing midway between a medium accepted by the whole world and an irredeemable and excessive paper issue accepted by none but the issuer, because it would encourage exports. This plea, like any other proposition for the encouragement of commerce, is worthy of a respectful consideration. It is, of course, known that the paper money of the war exerted a contrary effect — that by its action on prices it made this market a very good one to sell in and a very bad one to buy in, thus encouraging imports and discouraging exports. This, however, may have been an accidental feature due to an irredeemable paper of no value other than was conferred upon it by a general opinion of the credit of the issuing government. The doubt may be stated, but not pressed here.

The commercial returns of certain nations, when divided into two groups of gold-using and silver-using countries respectively, seem to prove the truth of the general proposition that the exports of the latter have increased more rapidly than those of the former. Taking the figures for the years 1890 and 1894, since they are readily accessible and mark the extreme limit of the fall in the market value of silver with sufficient time for noting its effect, the exports of certain gold-using countries were as follows:

EXPORTS FROM	1890. DOLLARS.	1894. DOLLARS.
United Kingdom . .	1,597,438,932	1,332,378,922
France	934,158,600	796,047,800
Germany (special) .	791,707,000	704,837,000

Such returns may be compared with those of countries which "enjoy" currencies of silver or depreciated paper:

EXPORTS FROM	1890. DOLLARS.	1894. DOLLARS.
Uruguay	29,085,519	33,479,511
Japan	29,547,030	58,097,394
China	68,517,146	100,875,959
Argentina	97,290,328	98,128,906
Mexico	27,020,023	32,858,927

These results are by no means uniform, and have no apparent relation to the actual drop in silver. The conditions in a single country may perhaps supply the needed connection.

The foreign commerce of Mexico, for example, depends largely on its exports of silver. The Mexican dollar, moreover, is used in many countries having no coinage of their own, and this adds an element in favor of its exportability. In 1894–95 the exports of merchandise from Mexico were $38,319,100 and those of silver bullion and coin $46,816,348; while the total imports, including both merchandise and precious metals, were valued at only $34,000,000. No other country of the same importance has a commerce so largely based upon silver.[1]

As the exports of merchandise from Mexico in 1890–91 were only $27,000,000, the figures above given show an increase in exports within four years of forty-two per cent. Since more than two-thirds of the exports are received by the United States, we may turn to our own trade figures to establish the lines of increase. This is practicable, for the trade or fiscal year in both Mexico and the United States ends June 30, and the value of the imports given by our returns is the market value or wholesale price (reduced to United States money) at the time and

[1] The exports from Bolivia in 1894 were valued at £1,982,500 (estimated), of which £1,562,500 were in silver.

market of exportation. Omitting the imports of specie into the United States and confining our attention to merchandise, we find the imports in 1891 were $27,295,992 and in 1895, $15,635,788. Apparently not only the whole increase of forty-two per cent, but also a nearly equivalent proportion of what formerly came to the United States, has gone to other countries. Before entering into details by commodities, it may be well to test this remarkable showing. The exports from Mexico are chiefly taken by the United States, Great Britain, Germany and France, and their respective returns for this trade were :

Imports from Mexico into	1891. Dollars.	1895. Dollars.
United States	27,295,992	15,635,788
United Kingdom	2,401,388	2,274,265
Germany[1]	2,917,000	2,880,000
France	965,154	2,026,500
Total	33,579,534	22,816,553

Instead of an increase of forty-two per cent these figures show that there has been a decrease of nearly one-third in the total trade, and an increase only in the case of France. For further comparison we have the Mexican figures, which include the precious metals :

Exports to	1890–91. Dollars.	1894–95. Dollars.
United States	44,983,086	67,322,986
United Kingdom	10,882,728	15,261,169
Germany	3,785,875	3,113,235
France	3,653,551	2,129,816
Total	62,305,240	87,827,206

From the table before this one it might be concluded that there has been an enormous increase of Mexican exports in channels entirely new ; but such a conclusion is quite beyond the range of commercial experience and is distinctly disproved

[1] For Germany the exports of 1894 are taken, those for 1895 not being available. In the exports to France and Germany silver ore is included, the amounts being so small as not to affect the totals.

by the last table, which shows that the increase has been along the old lines. Again, from the former comparison it might be concluded that France alone is the gainer from Mexico's increased trade, yet this conclusion also is disproved by the second table. In this confusion, where is the proof that any single factor, like silver, is the cause of the present conditions of Mexican trade?

A glance at details may assist us, if only by still further discrediting the dominating influence of silver in the trade of Mexico, a fair type of a silver-standard country. The French returns show an increased importation from Mexico in 1895 as compared with 1891. In this trade the principal articles were :

		1891.	1895.
Copper	kilog.	1,682,299	4,522,148
Wood, rare . . .	"	8,133,876	23,133,476
Coffee	"	391,235	170,904
Textile fibres . .	"	404,524	898,750

The nature of the increase in trade is thus made apparent in the face of the Mexican returns, which showed a decrease in the total value of imports from Mexico. Turning to the English returns, the quantities of the leading imports from Mexico were :

		1891.	1895.
Coffee	cwts.	1,273	3,595
Copper	tons	3,649	3,368
Dyewoods, *etc.* . . .	"	4,204	14,864
Mahogany	"	18,248	6,507
Textile fibres	"	1,514	949
Lead	"	361	1,638
Tobacco manufactures .	lbs.	726	2,445

This is quite as convincing as the French table, and to round out the comparison we need only the statistics of the imports into the United States :

		1891.	1895.
Coffee	lbs.	28,489,632	35,262,229
Textile fibres . .	tons	56,360	59,706
Tobacco leaf . .	lbs.	154,426	57,853
Copper ore . .	"	2,351,917	149,104

In the one item — coffee — where a full comparison of prices is possible, it is found that France paid 2.125 francs per pound in 1891 and 2.45 francs in 1895; that England paid 19.3 cents in 1891 and 22.8 cents in 1895; and that the United States paid 18 cents in 1891 and 16.9 cents in 1895. Yet the greatest increase in exports has been to the United States instead of to those markets where better prices could be obtained in 1895 than were recorded in 1891. Puzzling as is this showing, it is not explained by an examination of the import prices of other articles brought into the United States from Mexico. Thus, coal was valued at $3.306 a ton in 1891 and $2.015 in 1895; sisal grass at $106.64 per ton in 1891 and $57.60 in 1895; tobacco leaf at 44 cents per pound in 1891 and 23 cents in 1895; and vanilla beans at $4.07 per pound in 1891 and $4.34 in 1895.

The conclusions to which these comparisons point are: (1) that the trade returns are very fallible; (2) that the differences are largely due to variations in the custom-house methods of reporting prices; and (3) that the French system of official valuations of imports and exports may lead to remarkable results.

The commercial returns of any country, when examined in the same way, give the same contradictions and inexplicable differences; and the confusion becomes even greater when the returns of different countries are compared. From them it is impossible to determine the presence of such a factor as a fluctuating medium of exchange — much less to determine an even probable effect upon prices. The commercial conditions of Mexico, China and British India as countries using silver, and those of Argentina and Brazil as countries using irredeemable paper, present no common characteristic when prices, in detail or in the average, are compared with the price of silver or the agio on exchange. This lack of proof that the presence of a depreciated currency has stimulated the export trade of these countries permits the substitution of an explanation of current commercial relations which appears more reasonable and better justified by facts. It is, then, the recent transfor-

mation of economic conditions that has led to increased exportations from these South American and Asiatic communities.

Much significance attaches to the fact that the products of silver-using countries are such as stand apart economically from those of gold-using countries. This alone should make us cautious about accepting a free comparison of the statistics of the trade of the two groups as proof of the stimulating effect of a depreciating currency on exports. Look at the principal exports of these Eastern and South American countries :

Argentina : wheat, wool, meat products.
Brazil: coffee, sugar.
China : tea, silk.
Colombia : coffee, earth-nuts, silver ore, cacoa, caoutchouc.
Ecuador : cocoa.
Guatemala: coffee, silver, fruit, hides.
Japan: silk, tea, rice.
Uruguay : meat products, hides, tallow, wool.
Venezuela : coffee, cocoa, hides.

It requires only a superficial examination of this list to show that the development of trade in all of these commodities can be explained on purely economic grounds, without resort to any influence of a depreciating or appreciating currency.

Even more significant is the fact that in Europe the dominant feature of economic progress during the last generation has been the application of machinery in every line where human labor could be superseded. The result has been that the enormously increased output of goods at greatly reduced prices has led to increased consumption of manufactured articles; and this has been accompanied by a distinct decay in the ability to grow much of what is required to feed this machine power, as well as the labor employed in caring for and directing it. It is not a mere accident that has led to agrarian agitation in nearly every country of Europe and even in the United States. In populous communities intensive farming must be the rule. They cannot with profit devote to the culture of cereals, or to the raising of cattle for beef or of sheep for wool, the enormous tracts of land available

at little or no cost in new and sparsely settled communities. The history of wheat culture in the United States is ample proof of this. The same influence that has so materially modified the economic conditions of sections acts as powerfully on the distribution of production throughout the world. The cultivation of many drugs, dyes, tropical fruits and similar products, used in the arts or for food, cannot be conducted in Europe or in the United States with any profit. For every advance in population and industrial power a nation pays something, and such a payment has recently been exacted from the wheat cultivators and cattle raisers of Europe and the United States.

The one great feature of the recent growth of continental Europe, then, has been its advance in industrialism. The time was — and within the memory of persons now living — when England enjoyed almost a monopoly of the factory system. On the continent household and hand production was the rule. All this has changed. Even in Russia and Switzerland, still famous for their house industries, machinery has won a complete victory, and not only makes the country independent of foreign supplies of many manufactured goods, but results in a surplus for sale abroad. This new industrial power must be fed, and only in the newer communities can the space be found for growing the raw materials for food and manufactures. This is, to my mind, the cause of increased exports from the more sparsely settled communities. The demand upon the extractive industries has so far increased as to require new sources of supply and production upon a vaster scale.

Given a restricted territory, the production of the raw material for an industry could never keep pace with the requirements of machine consumption, unless the field of production was originally laid out on magnificent lines and constituted a practical monopoly. The growth of cotton in the United States is such a natural monopoly; and it is hardly conceivable that there should ever be such an increase in the number of spindles in the home cotton industry as to approach an exhaustion of the supply. The production of wool in Europe and the United States, on the other hand, has in

recent years declined, because the land in those countries has become too valuable to be used for sheep runs and other countries have offered greater advantages in the raising of wool. This article occupies in the economy of Europe and the United States a position similar to that of wheat in England: it is cheaper to buy it abroad than to undertake to obtain all the needed supply from home sources. Australia, on the contrary, is as naturally adapted to the cheap production of fine wools as Argentina is to the production of wheat or the raising of cattle. Furthermore, the tea of India, the silk of Japan, the coffee of South America and the peculiar products of the East stand upon the same economic basis as the wool of Australia or the wheat of Argentina. The increasing needs of Europe and the United States for these products have resulted in increased production.

After a minute study of the trade in many individual articles of special lines of products, I have failed to discover a general influence such as some claim has been exerted by the fall in the commercial price of silver. Results apparently flowing immediately from that influence on the commerce of one country fail to materialize in the commercial relations of another country having much the same conditions of trade and exchanges. Comparisons of prices and of the statistics of trade of various countries yield no definite conclusions. I cannot but conclude, therefore, that the recent movements in commerce are due to a cause other than the fluctuations in silver, and that the presence of a silver monetary unit has no immediate action in stimulating exports. Whatever influence it does exert is too small to be isolated from other and more important influences.

If, then, silver has little or no influence *on* trade, has it any influence or function *in* trade? This distinction is important. In international trade silver is a commodity, bought and sold like any other commodity, such as wheat, iron or copper. As such this metal has at no time played so important a rôle in the foreign commerce of the United States as at present. The domestic production and the commercial movement of silver are shown in the following table:

PRODUCTION AND COMMERCIAL MOVEMENT OF SILVER IN THE UNITED STATES.[1]

YEAR.	PRODUCTION.		EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.
	Fine Ounces.	Commercial Value.			
		Dollars.	*Dollars.*	*Dollars.*	*Dollars.*
1873	27,650,000	35,750,000	39,751,859	12,798,490	26,953,369
1874	28,849,000	36,869,000	32,587,985	8,951,769	23,636,216
1875	24,518,000	30,549,000	25,151,165	7,203,924	17,947,241
1876	30,009,000	34,690,000	25,329,252	7,943,972	17,385,280
1877	30,783,000	36,970,000	29,571,863	14,528,180	15,043,683
1878	34,960,000	40,270,000	24,535,670	16,491,099	8,044,571
1879	31,550,000	35,430,000	20,409,827	14,671,052	5,738,775
1880	30,320,000	34,720,000	13,503,894	12,275,914	1,227,980
1881	33,260,000	37,850,000	16,841,715	10,544,238	6,297,477
1882	36,200,000	41,120,000	16,829,599	8,095,336	8,734,263
1883	35,730,000	39,660,000	20,219,445	10,755,242	9,464,203
1884	37,800,000	42,070,000	26,051,426	14,594,945	11,456,481
1885	39,910,000	42,500,000	33,753,633	16,550,627	17,203,006
1886	39,440,000	39,230,000	29,511,219	17,850,307	11,660,912
1887	41,200,000	40,410,000	26,296,504	17,260,191	9,036,313
1888	45,780,000	43,020,000	28,037,949	15,403,669	12,634,280
1889	50,000,000	46,750,000	36,689,248	18,678,215	18,011,033
1890	54,500,000	57,225,000	34,873,929	21,032,984	13,840,945
1891	58,330,000	57,630,000	22,590,988	18,026,880	4,564,108
1892	63,500,000	55,563,000	32,810,559	19,955,086	12,855,473
1893	60,000,000	46,800,000	40,737,319	23,193,252	17,544,067
1894	49,500,000	31,422,000	50,451,265	13,286,552	37,164,713
1895	55,727,000	36,445,000	47,227,317	9,552,520	37,674,797
1896	——	——	59,862,956	13,106,548	46,756,408

Silver is one of the most important of the metallic products of the United States, for its yearly production is exceeded in value only by the outputs of iron, gold and copper. It is also one of the chief articles of export, for it is surpassed in importance only by cotton, provisions, breadstuffs, gold and mineral oils. This eminence, moreover, is not the result of temporary conditions, but will be permanent, unless legislative interference confines silver to a purely domestic market by depriving it of any function in the export trade while inviting its import.

[1] Production is given for the calendar years and the commercial figures for fiscal years.

On commercial principles every ounce of silver produced in the United States now finds a market either at home or abroad, and to the extent of its commercial value commands foreign and domestic products and services. In 1896 it settled a foreign indebtedness of $46,700,000, which must otherwise have been settled in gold or by the forced sale of other domestic products.

To coin silver in unlimited amounts at any except the market ratio would prevent its exportation. Overvalued, it would remain in the United States to derange markets, to oppress labor and to scale debts. The law of 1878 choked off exports until the artificial encouragement to production caused the supply to outrun the domestic consumption then possible. The excess over consumption then found a vent in foreign markets until the law of 1890 again checked exports, while giving an even greater encouragement to production by more than doubling the monthly purchases of the government and thus assuring a market for 54,000,000 ounces a year — the total product of the United States in 1890. Production soon again outran the demand in this market, but the repeal of the purchasing clauses at once reduced the entire movement of silver to a purely commercial basis. Every prop giving new supplies an assured market or an artificial value was swept away — and the dealings in silver are larger than ever before! Free coinage cannot be endorsed because it will encourage exports; while it must be condemned for the inevitable disturbance in commercial relations that will ensue. In this phase of the question every producer in the United States, whether directly or indirectly producing an article for export — and this description includes nearly every person having a gainful occupation, — is directly interested.

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